

ORIGINAL

DS 136304

UNITED STATES DISTRICT COURT

for the

North District of Texas

CLERK US DISTRICT COURT
NORTHERN DIST. OF TX
FILED

2022 FEB -1 PM 3: 54

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Compliant in the Matter of the Losses)
Suffered by UBS's Mandatory Redemption)
)
)
JAMES XUEYUAN ZHU and)
ANGELA S. CHIOU)
)
)
Plaintiffs,)
)
- against-)
)
UBS SECURITIES LLC and)
UBS FINANCIAL SERVICES INC.,)
)
Ddfendants.)
-----X

Case No _____
(to be filled in by the Clerk's Office)

8-22 CV 0239 - L

Jury Trial: (check one) Yes ☒ No ☐

COMPLIANT FOR A CIVIL CASE

Plaintiffs, by themselves, for their Statement of Claim, allege as follows:

1. The Plaintiffs to This Complaint

James Xueyuan Zhu (age 80) and Angela Shiryu Chiou (age 68); husband and wife;

at 9025 Livenshire Drive, Dallas, Texas 75238;

Telephone Numbers: 704-281-8529 and 214-773-3928;

E-mail Addresses: jameszhu0513@gmail.com and shiryuchiou@gmail.com

Because the advanced ages, limited financial strength, and uncertain court schedule,
the Plaintiffs request this Case can be presented and processed at Dallas of Texas.

2. The Defendants

UBS FINANCIAL SERVICES (UBS FS) , and
UBS SECURITIES LLC (UBS Securities)
at 1265 Avenue of Americas, New York, NY 10019

3. The Controversy Amount

A sum of **\$755,998** investment losses under Mandatory Redemptions implemented by UBS on its securitie of ETN, plus the interest generated and the worth of health damages.

STATEMENT OF CLAIM

1. The Plaintiffs, James X. Zhu and Angela S. Chiou, are both in advanced ages (80 and 68), and financially unsophisticated. In May 2019 and later, the Plaintiffs invested a sum of **\$859,840** (average share value between \$11 to \$13) in the UBS's ETN (Exchange Traded Notes) listed as MRRL (UBS ETRACS Monthly Pay 2xLeveraged Mortgage REIT ETN Series B due **10/16/2042**). On March 17, 2020, the UBS announced Mandatory Redemption and Delisted all its ETNs, and confiscated a sum of **\$755,998** (88% of invested value, see ATTACHMENT 1) from the Plaintiffs' investment and retirement accounts. The Plaintiffs are seeking legal protection for recovering their economic losses suffered from UBS illegal mandantorial conduct.
2. The Defendant UBS Financial Services Inc. (UBS FS) is a wholly owned subsidiary of UBS A.G., the Switzerland-based bank.

On November 14, 2014, UBS FS issued nineteen (19) of 2xLeveraged ETNs, each linked to an underlying index (Mortgage REIT to MRRL and MORL), at \$25.00 per share and due in 2042. In the Prospectus, the defendant deployed several sinister terms, as:

If, at any time, the indicative value for any series of the Securities on any Trading Day (1) **equals \$5.00 or less** or ... all issued and outstanding Securities of that series will be **automatically accelerated and mandatorily redeemed by UBS....**

(ATTACHMENT II)

UBS FS further defined “Measurement Period” and “Calculation Agent” for the conveniences of another defendant, UBS Securities, to manipulate the ETNs, that:

The market value of your Securities may fluctuate between the date you purchase them and the last Trading Day in the applicable **Measurement Period**, when the **Calculation Agent** will **determine** your payment at maturity.... Therefore, you may sustain a significant loss if you sell the Securities in the secondary market.

(ATTACHMENT II)

The terms of “**Automatically Accelerated and Mandatory Redemption**” can aim at infringing on the **Property Rights** of investors, and ETN values unconditionally determined by “Calculation” could breaching the **Principle of Free Market** at anytime.

UBS FS further emphasizes that:

Payment at maturity or call, upon or upon early redemption will be subject to the creditworthiness of UBS. **In addition, the actual and perceived creditworthiness of UBS will affect the market value**, if any, of the Securities prior to maturity,

call, or early redemption. Investing in the Securities involves significant risks. You may lose some or all of your principal at maturity. (ATTACHMENT II)

In the clause of *“the actual and perceived creditworthiness of UBS will affect the market value”*, the words **Perceived Creditworthiness** was copied from the Charter of LIBOR (London Inter-Bank Overnight Rate, refer to ATTACHMENT III), which allows the lending banks to bid different rates for potential borrowers. However, as **Debtor of ETNs**, UBS empowers itself to determined the owing value, then utilizing the term of **Automatically Accelerated and Mandatory Redemption** to escaped a large portion of its ETN debts, and caused the Plaintiffs’ losses, in 2020.

3. The Defendant UBS Securities is a wholly owned subsidiary of the UBS A.G.. As the **“Calculation Agent”** of ETN series, UBS Securities never disclosed calculation formulas, parameters, variables of each ETN correlated different index.

Before Pandemic, the share value of MRRL (and MORL) had declined from \$25 in November of 2014, down to around \$12.50 in February of 2020, which showed an annual decay rate of 12% and this ETN would be under “Mandatory Redemption” in another 5 or 6 years. During this period, the investors were nominally paid 18% interest annually, which creates an illusion of “High return, High risk” for the ETNs. In fact, investors get 6% per annum only.

Around March 17 of 2020, UBS announced that all of its 19 ETNs will be mandatorily redeemed in accordance with **Acceleration Upon the Minimum Indicative Value**, since all the values of them have been less than \$5.00. In fact, the MRRL were forcibly redeemed in a 5-day **Measurement Period**, during which the UBS Security set a series of redeem share value for MRRL as followed:

March 19th	\$0.690
------------	---------

March 20th	\$0785
March 23th	\$0.310
March 24th	\$0.2625
March 25th	\$0.210

The Plaintiffs refused to accept these robberies, and most of their shares were forcibly redeemed at the least share value of \$0.21, which caused a total principal loss of \$755,998.

As a comparison, the share of **Citigroup's Long LIBOR ETN**, delisted in April 2020, with a redeem value at **\$7.91** (diagram in ATTACHMENT III).

A month later, on April 28, 2020, with a title of **UBS Bank Grows Profit 40% in First Quarter**, the **BARRONS** reported:

In mid-March... the CFO of UBS Bank, said the bank had seen small amounts of loan losses and felt good with its liquidity position, despite the impact of the coronavirus pandemic. It was a surprise at the time considering what most banks were experiencing.... The bank reported first-quarter profits 40% higher than the first quarter of last year. Net income was roughly \$1.6 billion, or earnings per share of \$0.43, up from roughly \$1.1 billion in the first quarter of 2019.

(ATTACHMENT IV)

From the report above, one can conclude that the "Mandatory Redemption" exercised by UBS is not based on any of "*the actual and perceived creditworthiness of UBS*", and that much of the profit of UBS in the First Quarter of 2020 were the loot of redeem its ETNs. As to the sound financial base, UBS has the ability and necessity to compensate for the economic loss of Plaintiffs.

CONCLUSION AND RELIEF

UBS, as one of the major financial institutions in the U.S. and world, does not be conscious that, of any political party or financial institute, the ideology, advocacy or self-granted power in charters, prospectus and constitutions are not necessary to be allowed to practice, or being practiced arbitrarily.

The most obvious example is that, the USA Communist Party's proposition to "overthrow the government by violence" can be written in its Constitution, but does not mean its implementation is legal. (*Brandenburg v. Ohio* 395 U.S. 444 1969, *de facto*)

What happened in 2020 proved that the share of any UBS ETN, which can be forcibly redeemed at \$0.21, must be premeditated financial heist scheme, and the financial giant took the chance of pandemic to realize it. This is a little different from the refusal to return the property of gas chamber victims after WWII, that was said to be waiting for Death Certificates; this one wrote plans first for opportunistic execution.

The plaintiffs have the Right under the Constitution to claim that:

1. A recovery of total combined principal losses of \$755,998,
2. A \$750,000 to compensate Plaintiffs' mental torture and physical damages,
3. Interest and inflation generated by 35% per year (0.09589% per day) of the sum of above two claims, counted from March 25th of 2020,
4. Legal service fee of 50% of the sum of above three claims, if needed.

CERTIFICATION AND CLOSING

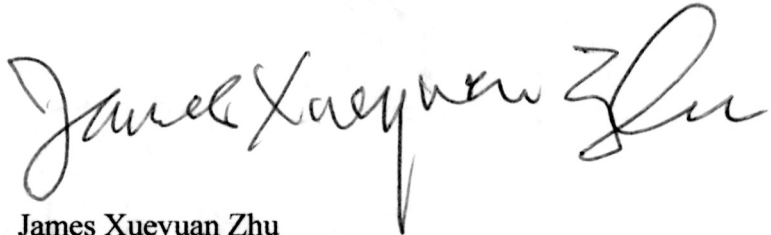
Under Federal Rule of Civil Procedure 11, by signing below, I certify to the best of my knowledge, information, and belief that this complaint: (1) is not being presented for an improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation; (2) is supported by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law; (3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and (4) the complaint otherwise complies with the requirements of Rule 11.

I agree to provide the Clerk's Office with any changes to my address where case-related papers may be served. I understand that my failure to keep a current address on file with the Clerk's Office may result in the dismissal of my case.

Date of signing:

February 1st of 2022

Signature of Plaintiff



Printed Name of Plaintiff

James Xueyuan Zhu

Date of signing:

February 1st of 2022

Signature of Plaintiff



Printed Name of Plaintiff

Angela Shiryu Chiou

For Attorneys (Not Available Yet)

Date of signing:

Signature of Attorney

Printed Name of Attorney

Bar Number

Name of Law Firm

Street Address

State and Zip Code

Telephone Number

E-mail Address

ATTACHENT

ATTACHMENT I

The following is a summary of Claimants' Anapproximate losses in MRRL in UBS ETN ETRAC by firm and account:

TD Ameritrade IRA Account:

Account	Shares	Ticker	Approx. Cost	Proceeds	Loss
James Zhu	14,756	MRRL	\$197,730	\$35,598	\$162,132
Angela Chiou	3,280	MRRL	\$44,385	\$659	\$ 43,726

Total Loss: \$205,858

Interactive Brockers Account:

Account	Shares	Ticker	Approx. Cost	Proceeds	Loss
James Zhu	40,000	MRRL	\$536,000	\$56,735	\$479,265
Angela Chiou	5,000	MRRL	\$81,725	\$659	\$ 70,875

Total Loss: \$550,140

ATTACHMENT II

UBS PRODUCT SUPPLEMENT (To Prospectus dated November 14, 2014)

UBS AG Monthly Pay 2xLeveraged Exchange Traded Access Securities (ETRACS) Excerpts

Because the Securities will be two times leveraged with respect to the Index, the Securities may benefit from two times any positive, but will be exposed to two times any negative, performance of the Index.

The Securities may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the Index Constituent Securities (as defined herein). You will receive a cash payment at maturity, upon **acceleration** or upon exercise by UBS of its Call Right (as described below) based on the monthly compounded leveraged performance of the Index less the Accrued Fees.

You will receive a cash payment upon early redemption based on the monthly compounded leveraged performance of the Index less the Accrued Fees and the Redemption Fee. Payment at maturity or call, upon or upon early redemption will be subject to the creditworthiness of UBS. **In addition, the actual and perceived creditworthiness of UBS will affect the market value**, if any, of the Securities prior to maturity, call, or early redemption. **Investing in the Securities involves significant risks. You may lose some or all of your principal** at maturity, early redemption, acceleration or upon exercise by UBS of its call right if the monthly compounded leveraged return of the Index (calculated as described herein) is not sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable.

Denomination/Principal Amount:

\$25.00 per Security

UBS Call Right:

... To exercise its Call Right, UBS must provide notice to the holders of the Securities of that series not less than **eighteen calendar days prior** to the...

Call Settlement Amount:

In the event UBS exercises its Call Right with respect to any series of the Securities, you will receive per Security a cash payment on the relevant Call Settlement Date equal to

(a) the product of

- (i) the Current Principal Amount and
- (ii) the **Index Factor** as of the **last Trading Day in the applicable Measurement Period** plus
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on such last Trading Day the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, plus
- (c) the Stub Reference Distribution Amount as of such last Trading Day, if any, minus
- (d) the Accrued Fees as of such last Trading Day.

Acceleration upon Minimum Indicative Value:

If, at any time, the **indicative value** for any series of the Securities on any Trading Day

- (1) **equals \$5.00 or less** or
- (2) decreases 60% in value from the closing indicative value of that series of the Securities on the previous Monthly Valuation Date (each such day, an "Acceleration Date"),
all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed \$5.00 or increase from the -60% level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period) for a cash payment equal to the Acceleration Amount.

The "**Acceleration Amount**" will equal

- (a) the product of
 - (i) the Current Principal Amount and
 - (ii) the Index Factor as of the last Trading Day of such Measurement Period plus
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Acceleration Date if on such last Trading Day, the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, plus
- (c) the Stub Reference Distribution Amount as of such last Trading Day, if any, minus
- (d) the Accrued Fees as of such last Trading Day. If the minimum indicative value threshold of any series of Securities has been breached, holders of that series of Securities will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of their investment in that series of the Securities. The "Acceleration Settlement Date" will be the third

Trading Day following the last Trading Day of the applicable Measurement Period.

Product Supplement Summary

.... To exercise its Call Right, UBS must provide notice to the holders of the Securities of that series not less than eighteen calendar days prior to the Call Settlement Date specified by UBS. In the event UBS exercises its Call Right, you will receive per Security a cash payment on the relevant Call Settlement Date equal to

(a) ...(b) ...(c) ...(d) ... The Call Settlement Date will be at least three, but not greater than six, Trading Days following the last Trading Day in the applicable Measurement Period. We will inform you of such Call Settlement Date in the call notice. See also "Description of the Debt Securities We May Offer — Redemption and Payment" in the attached prospectus.

Acceleration Upon Minimum Indicative Value

....UBS will provide notice to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see "Valuation of the Index and the Securities — Intraday Security Values".

Selected Risk Considerations

... As a result, the actual and perceived creditworthiness of UBS will affect the market value,

Credit of UBS.

... As a result, the actual and perceived creditworthiness of UBS will affect the market value,

The market value of the Securities may be influenced by many unpredictable factors.

The market value of your Securities may fluctuate between the date you purchase them and the last Trading Day in the applicable **Measurement Period**, when the **Calculation Agent** will determine your payment at maturity (if they are not subject to a call, early redemption or acceleration). **Therefore, you may sustain a significant loss if you sell the Securities in the secondary market. Several factors, many of which are beyond our control, will influence the market value of the Securities.** We expect that, generally, the level of the relevant Index will affect the market value of the Securities more than any other factor. Other factors that may influence the market value of the Securities include:

- Ø the volatility of the **relevant Index** (i.e., the frequency and magnitude of changes in the level of the Index);
- Ø the **market prices** of the Index Constituent Securities;
- Ø the dividend or distribution rate paid by the Index Constituents;
- Ø the time remaining to the maturity of the Securities;
- Ø supply and demand for the Securities, including to the extent affected by inventory positions with UBS or any market maker;
- Ø the amount of the Accrued Fees;
- Ø economic, financial, political, regulatory, geographical, judicial or other events that affect the level of the Index or the market prices of the Index Constituent Securities, or that affect markets generally;
- and
- Ø the **actual and perceived creditworthiness of UBS.**

Risk Factors

The Securities are not suitable for all investors. In particular, the Securities should be purchased only by investors who understand leverage risk and the consequences of seeking monthly compounded leveraged investment results, **and who intend to actively monitor and manage their investments.**



ATTACHMENT III

Excerpts Edited by Plaintiff Zhu

Filed Pursuant to Rule 424(b)(2)

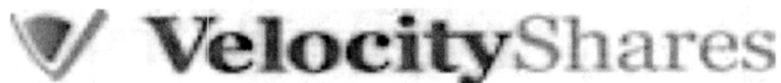
Registration Nos. 333-216372 and 333-216372-01

PRICING SUPPLEMENT NO. 2017—USNCH0609 AND 2017—USNCH0610 DATED AUGUST 15, 2017 (TO PROSPECTUS SUPPLEMENT AND PROSPECTUS EACH DATED APRIL 7, 2017)

MEDIUM-TERM SENIOR NOTES, SERIES N

\$1,000,000,000[±] VelocityShares® Long LIBOR ETNs due August 16, 2032 (the “Long LIBOR ETNs”)

\$500,000,000[±] VelocityShares® Short LIBOR ETNs due August 16, 2032 (the “Short LIBOR ETNs”)



Issued by Citigroup Global Markets Holdings Inc.

All payments due on the securities fully and unconditionally guaranteed by Citigroup Inc.

The ETNs are not intended to be “buy and hold” investments. The ETNs are intended to be short-term trading tools for sophisticated investors to manage short-term trading risks. The Indices are designed to approximate their stated investment objectives daily, and their performance over longer periods of time can differ significantly from their stated daily objectives. The ETNs are riskier than securities that have longer-term investment objectives. Any decision to hold the ETNs for more than one day should be made with great care and only as the result of a series of daily (or more frequent) investment decisions to remain invested in the ETNs for the next one-day period.

Daily Accrual:

The Daily Accrual represents the rate of interest that could be earned on a notional capital reinvestment at the three-month U.S. Treasury rate as reported on Bloomberg under ticker USB3MTA (or any successor ticker on Bloomberg or any successor service). The Daily Accrual for any series of ETNs on any Index Business Day will equal:

$$\left(\frac{1}{1 - T_{bills}_{t-1} \cdot \frac{91}{360}} \right)^{\frac{d}{91}} - 1$$

where T_{bills}_{t-1} is the three-month U.S. Treasury rate reported on Bloomberg on the prior Index Business Day and d is the number of calendar days from and including the immediately prior Index Business Day to but excluding the date of determination. The Daily Accrual for any series of ETNs is deemed to equal zero on any day that is not an Index Business Day.

Maturity Date:

The scheduled Maturity Date for each series of ETNs is August 16, 2032. *

Acceleration at Our Option:

We will have the right to accelerate the ETNs of any series in whole but not in part on any Business Day occurring on or after the Inception Date (an “**Optional Acceleration**”). Upon an Optional Acceleration, you will receive a cash payment per ETN in an amount (the “**Optional Acceleration Redemption Amount**”) equal to the Closing Indicative Value of such series of ETNs on the final Valuation Date of the Optional Acceleration Valuation Period.

HYPOTHETICAL EXAMPLES

Illustrations of the Calculation of the Closing Indicative Value prior to the Final Valuation Period or an Optional Acceleration Valuation Period

$$\text{Daily Accrual} = \left(\frac{1}{1 - T_{bills}_{t-1} \cdot \frac{91}{360}} \right)^{\frac{d}{91}} - 1 \left(\frac{1}{1 - 0.001 \cdot \frac{91}{360}} \right)^{\frac{1}{91}} - 1 = 0.000002778133$$

Daily Investor Fee = Closing Indicative Value on Day 1 ×

(Investor Fee Factor × 1/365 × d)

= \$100 × (0.015 × 1/365 × 1)

= \$ 0.004109589

The ETNs should be purchased only by sophisticated investors who understand the potential consequences of an investment linked to the applicable Index and that is subject to the effects of carry and decay.

The composite forward LIBOR rate will be influenced by many unpredictable factors.

The forward LIBOR rates that are used to calculate the composite forward LIBOR rate will be influenced by many factors, including:

- the monetary policy of the Federal Reserve;
- **the perceived creditworthiness of financial institutions in the London interbank market;**
- the current spot LIBOR rate;
- current market expectations about future spot LIBOR rates;
- current market expectations about inflation;
- supply and demand in the market for the Eurodollar futures contracts that are used to determine the implied forward LIBOR rates; and
- general credit and economic conditions.

We cannot predict how these factors may influence the composite forward LIBOR rate over any period in the future. The ETNs are subject to the risk that the composite forward LIBOR rate may change in unanticipated ways.

The market price of the ETNs may be influenced by many unpredictable factors.

The market value of the ETNs will fluctuate between the date you purchase them and the applicable Valuation Date or Valuation Period. You may also sustain a significant loss if you sell the ETNs in the secondary market. In addition to others, the following factors, many of which are beyond our control, will influence the market value of the ETNs, as well as the applicable Redemption Amount:

- the level of the applicable Index at any time;
- the volatility of the Eurodollar futures contracts included in the applicable Index;
- the liquidity of the Eurodollar futures contracts included in the applicable Index;
- economic, financial, regulatory, political, judicial, military and other events that affect interest rates, the Indices or the relevant Eurodollar futures contracts included in each Index;

- supply and demand for the ETNs in the secondary market, including, but not limited to, inventory positions with any market maker or other person or entity who is trading the ETNs (supply and demand for the ETNs will be affected by the total issuance of ETNs, and we are under no obligation to issue additional ETNs to increase the supply);
- the time remaining until the ETNs mature; and
- **the actual or perceived creditworthiness** of Citigroup Global Markets Holdings Inc. and Citigroup Inc.

You cannot predict the future performance of the applicable Index based on its historical performance or that of the Eurodollar futures contracts that it tracks. The factors interrelate in complex ways, and the effect of one factor on the market value of the ETNs may offset or enhance the effect of another factor.

VelocityShares Long LIBOR ETN (ULBR)

NYSEArca · Nasdaq Real Time Price. Currency in USD

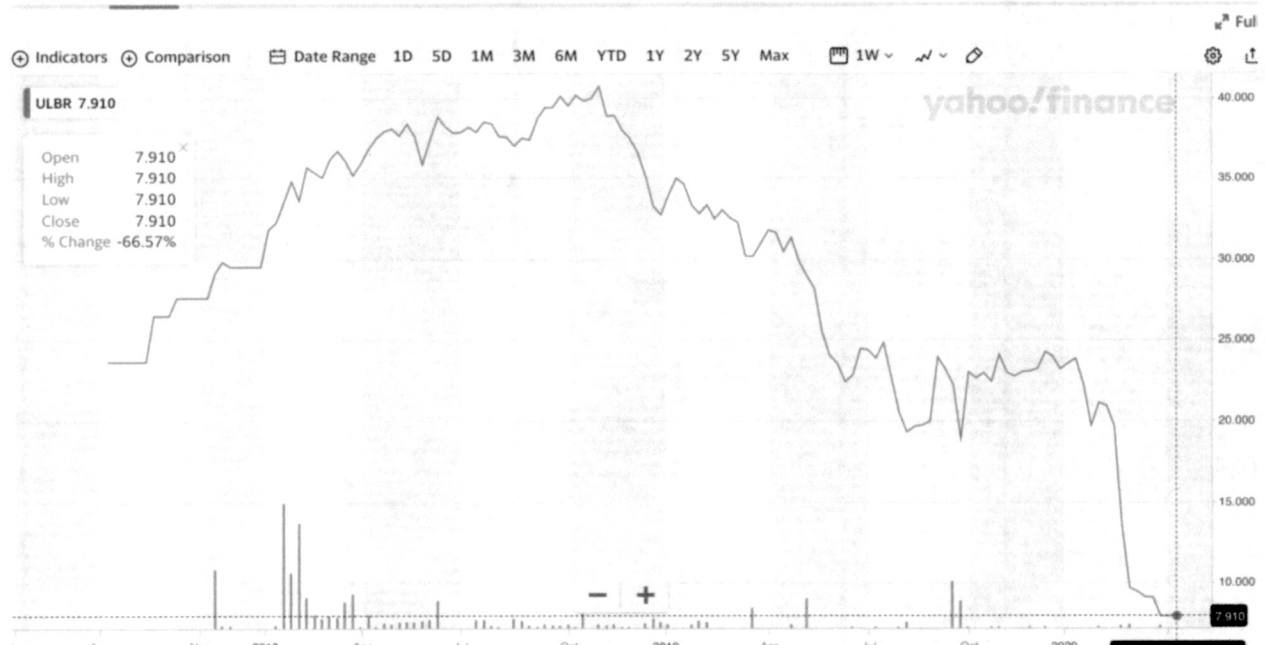
☆ Add to watchlist

Quote Lookup

7.91 0.00 (0.00%)

At close: April 1 11:31AM EST

Summary **Chart** Conversations Historical Data Profile Options Holdings Performance Risk



ATTACHMENT IV

UBS Bank Grows Profits 40% in First Quarter

The bank had previously said it felt it was in good shape despite the impact from coronavirus. First-quarter earnings results solidified this statement.

Bram Berkowitz

Apr 28, 2020 at 2:14PM

In mid-March, Kirt Gardner, the CFO of **UBS Bank** (NYSE:UBS), said the bank had seen small amounts of loan losses and felt good with its liquidity position, despite the impact of the coronavirus pandemic.

It was a surprise at the time considering what most banks were experiencing, but it apparently held through the rest of the quarter.

The bank reported first-quarter profits 40% higher than the first quarter of last year. Net income was roughly \$1.6 billion, or earnings per share of \$0.43, up from roughly \$1.1 billion in the first quarter of 2019.

UBS did take a credit loss expense of \$268 million in the quarter to prepare for future potential loan losses, which is up from just \$20 million in the first quarter of last year.

"As a result of years of disciplined strategic execution, risk management, and sustained technology investments, we enter these turbulent times from a position of strength," UBS CEO Sergio P. Ermotti said in a statement.

The company's global wealth management division and investment bank performed particularly well, with their operating profits up 18% and 30% on an annualized basis, respectively.

While the bank is better positioned for the pandemic than most traditional banks that rely on loans -- because most of its income is from fees and commissions -- it has taken steps to limit certain exposures over the years.

For instance, UBS has reduced its exposure to oil and gas by 75% since 2015, according to an investor presentation, a move that is clearly paying off right now.

The bank also maintained strong liquidity, ending the quarter with a 12.8% common equity tier 1 capital ratio, which is down 90 basis points (or 0.90 percentage points) from the fourth quarter, but only 20 basis points on an annual basis.

10 stocks that could be the biggest winners of the stock market crash
When investing geniuses David and Tom Gardner have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, *Motley Fool Stock Advisor*, has tripled the market.*

David and Tom just revealed what they believe are the ten best stocks for investors to buy right now... and UBS AG (USA) wasn't one of them! That's right -- they think these 10 stocks are even better buys.

<https://www.barrons.com/articles/ubs-americas-wealth-management-profits-surge-that-may-not-https://finance.yahoo.com/m/76d58e8b-834c-34f6-96d9-550c57761cf3/ubs-bank-grows-profits-40-in.html>